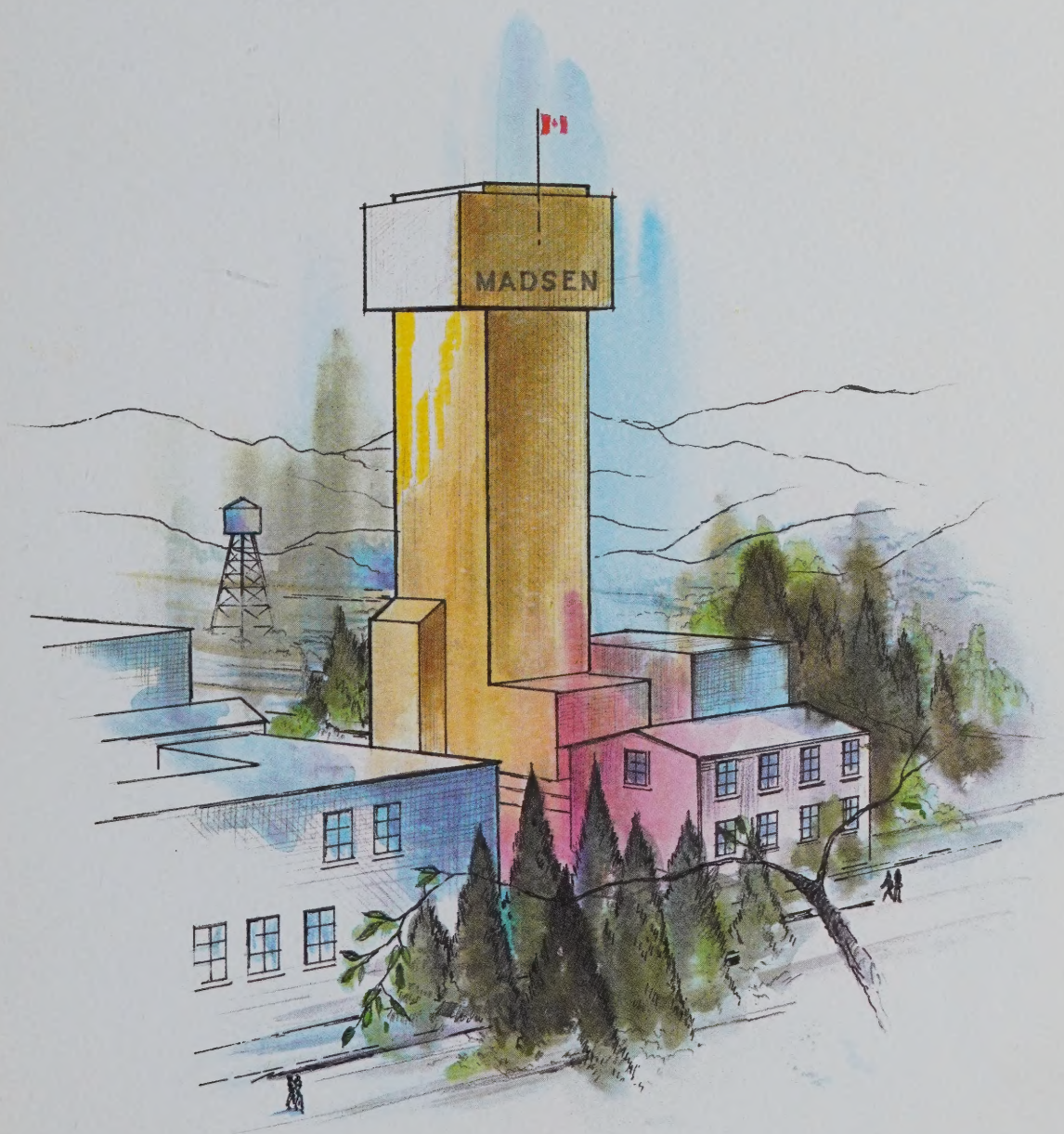


MADSEN RED LAKE GOLD MINES

L I M I T E D


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**ANNUAL
REPORT**

1967



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ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1967

The Officers
and Directors of
Madsen Red Lake
Gold Mines Limited
are pleased

to present their
Annual Report
to the Shareholders
for the year ended
December 31st, 1967

MADSEN RED LAKE GOLD MINES LIMITED

★ Company's producing gold mine.
Rate — 800 tons per day.
Madsen, Ontario.

★ Baffinland Iron Mines Limited.
123,500,000 tons of 68.13% Iron.
Northwest Territories. Company's equity — 19.93%.

★ Esterhazy, Saskatchewan.
303,203,250 tons of 27.25% Potash.
Company's equity — 76.7%.

**Officers
and
Directors**

Officers

PAUL H. McCLOSKEY, M.C., B.Sc.,
President

FRED R. MARSHALL, Q.C.,
Vice-President

MISS M. MASTERSON,
Secretary-Treasurer

Directors

PAUL H. McCLOSKEY, M.C., B.Sc.,
Toronto, Ont.

FRED R. MARSHALL, Q.C.,
Toronto, Ont.

HUGH H. MACKAY,
Toronto, Ont.

HOWARD S. ROBINSON, B.S., E.M.,
Chicago, Ill.

FOSTER W. HEWITT,
Toronto, Ont.

Mine Manager

K. R. NORTH, B.Sc., P.Eng. (Ont.),
Madsen, Ont.

Mine Consultant

A. A. McCLOSKEY, B.Sc., P.Eng. (Ont.),
Toronto, Ont.

Registrars and Transfer Agents

GUARANTY TRUST COMPANY OF CANADA

5th floor, 88 University Avenue, Toronto 1, Ont.
427 St. James Street West, Montreal, Que.

THE BANK OF NEW YORK

48 Wall Street, New York 15, N.Y.

Auditors

NEFF, GOODWIN & CO.

347 Bay Street, Toronto 1, Ont.

Head Office

Suite 1109,
55 Yonge Street, Toronto 1, Ont.

Mine Office

Madsen, Ont.

Annual Meeting

Monday, April 8th, 1968, 11 o'clock in the morning
(Toronto Time), Elizabeth Room —
King Edward Sheraton Hotel,
King Street East, Toronto, Ontario.



Comparative Summary

	<u>1967</u>	<u>1966</u>
Tons milled	277,566	246,505
Ounces of gold produced	70,032.531	69,999.031
Average price of gold per ounce	\$ 37.77	\$ 37.73
Value of bullion	\$ 2,665,637.73	\$ 2,657,165.51
Operating costs	\$ 2,101,293.97	\$ 2,031,484.09
Net income	\$ 473,430.07	\$ 441,408.37
Net income per share	\$ 0.14	\$ 0.13
Current assets	\$ 2,623,110.77	\$ 2,642,940.97
Current liabilities	\$ 297,158.53	\$ 240,968.46
Working capital	\$ 2,325,952.24	\$ 2,401,972.51
Dividends paid	\$ 349,952.80	
Dividends paid per share	\$ 0.10	
Shares issued	3,499,528	3,499,528

Review of the Year

BY THE DIRECTORS

To the Shareholders:

Your Directors submit with pleasure the Thirty-Second Annual Report for the year ended December 31st, 1967, including a review of operations by the Mine Manager, Mr. K. R. North, and the Auditors' Financial Statement.

OPERATING RESULTS

Production was 70,033 ounces of gold compared with 69,999 ounces for the year 1966. Gross bullion income was \$2,665,637.73 compared with \$2,657,165.51 in the previous year.

Mine operating income was \$564,343.76 compared with \$625,681.42 last year. Net income was \$473,430.07, equal to 14 cents per share, compared with \$441,408.37, equal to 13 cents per share in 1966. The basic factors which contributed to higher profit were lower taxes, reduced depreciation and increased investment income.

FINANCIAL

One dividend of 10 cents per share, amounting to \$349,952.80, was paid in 1967. No dividends were paid in 1966. Dividends paid to date amount to \$10,339,905.24.

Net working capital of \$2,325,952.24 reflected a decrease of \$76,020.27 for the year. Working capital was \$2,401,972.51 at December 31st, 1966.

Depreciation charges on buildings, plant and equipment were taken at 20 percent which was the same rate as last year.

Due to the substantial cash outlay for outside exploration expenditures, a loss was sustained for tax purposes, allowing the Company to recover taxes paid in 1966. This recovery is reflected in the figure \$54,540.74 which appears in the statement of Retained Earnings. Provision for Ontario Mining Tax was \$17,000.00.

The item of \$94,338.30 which also appears in the statement of Retained Earnings, comprises writeoffs of \$89,338.30 and \$5,000.00 for British Ungava Explorations Limited and Chellew Mines Limited, respectively. The charters were surrendered during the year. It should be pointed out that Baffinland Iron Mines Limited was a spin-off from British Ungava Explorations Limited.

Capital expenditures amounted to \$64,591.07. The major item in capital additions was \$41,076.59 for oil-fired boilers for heating plant buildings.

The ten-year summary which is given in another section of the report, provides a statistical picture of operations from inception of milling August 11th, 1938, to December 31st, 1967.

ORE RESERVE

After milling 277,566 tons, grade 0.276 ounces per ton, during the year, the Ore Reserve totalled 431,500 tons, grade 0.290 ounces per ton. This compared with 560,000 tons, grade 0.289 ounces per ton, at December 31st, 1966.

DEVELOPMENT

Diamond drilling below the 18th level encountered ore values, between departures 20,100 and 20,400. The intersections are too narrow to be mined, at the present price of gold.

The Company drilled 10 holes on the Derlak Red Lake Gold Mines Limited property adjoining the Madsen mine property. No ore value intersections were encountered. No further work is planned.

PROPERTIES — RED LAKE

The claim map appended to the report shows the Company held 97 patented claims and 22 unpatented claims at the year end.

BAFFINLAND IRON MINES LIMITED (Iron)

The Company holdings of 662,786 shares — 19.93% interest remain unchanged from the previous year. There is nothing new to add to the statements which have been made already in Company reports from time to time.

OUTSIDE EXPLORATION

British Columbia — Nass River Mines Limited (Molybdenite)

Your Company's equity is 49.3%. Work was continued on this property during the year. While there was widespread molybdenite mineralization over the claim group, none of the occurrences was of economic interest. Consequently, 52 optioned claims were dropped but the 65 claims staked by the Company were held in good standing at the year end.

Saskatchewan — Potash

As part of the Company's diversification policy, a Potash Exploration Permit was acquired on 64,165 acres in the Province of Saskatchewan. The Company's equity is 76.7%. Four diamond drill holes outlined an estimated 303,203,250 tons of 27.25% K_2O (potash is a chemical fertilizer.) Mineral rights on 4,311 acres have been acquired to protect this deposit. Potash industry reports indicate that potash will experience over-production problems for the next two or three years but despite the present problems, the long term demand prospects certainly justify the rapid growth of Canadian output.

Quebec — Uranium

Options were taken on a total of 131 claims in the Johan-Beetz area, on the north shore of the St. Lawrence River, Quebec. Extensive work which included various surveys and diamond drilling failed to disclose any occurrences of commercial merit. Consequently, all the options were terminated during the year.

General prospecting covered a wide area during the year under review. Diamond drilling results on the Shabu Lake area (Ontario) proved disappointing. The Ruelle group (18 claims) in Quebec and the Bamaji Lake group (24 claims) in Ontario were permitted to lapse.

GENERAL

There are no further developments in respect to the possible take-over bid reported in the special letter to shareholders dated July 20th, 1967. It can only be assumed that the threat no longer exists or it has receded into the background. It might be pointed out that substantial share acquisitions have reinforced the position of management.

On December 8th, 1967, Mr. Foster W. Hewitt was elected a Director. He replaced Mr. A. A. McCloskey who resigned but retained the position of Mine Consultant.

Shortly after the year end, Mr. F. A. Innes, B.Sc., P.Eng., was appointed Exploration Manager in charge of outside exploration activities. Mr. Innes has a broad background in the mining and mineral exploration field.

The Directors take this opportunity to express their appreciation to all the employees for their loyal and efficient services rendered to the Company during the year.

Respectfully submitted on behalf of the Board,

P. H. McCLOSKEY,
President.

Toronto, Ontario,
March 11th, 1968.

Balance Sheet *as at December 31, 1967*

MADSEN RED LAKE

(Incorporated under the laws of the Province of Ontario)

ASSETS

Current Assets:

	1967	1966
Cash	\$ 356,110.90	\$ 8,316.09
Short term notes	850,000.00	1,450,000.00
Bullion in transit	134,175.29	249,006.05
Accounts receivable	21,484.32	32,195.23
Estimated gold assistance receivable	208,995.32	271,108.93
Refundable tax receivable	16,798.67	27,000.00
Income taxes recoverable	46,000.00	
Marketable securities — at cost	435,438.05	25,419.17
(Market value 1967 \$428,412.75, 1966 \$18,686.25)		
Materials and supplies — at cost	539,819.18	553,183.54
Prepaid expense	14,289.04	26,711.96
Total current assets	\$ 2,623,110.77	\$ 2,642,940.97

Investments — at cost:

Securities and cash on deposit	\$ 31,780.62	\$ 27,340.00
Shares in other companies	176,162.22	234,631.50
Baffinland Iron Mines Limited — 662,786 shares — at cost	549,937.25	549,937.25
	\$ 757,880.09	\$ 811,908.75

Property, Plant and Equipment — at cost:

Buildings, machinery and equipment	\$ 5,934,510.47	\$ 5,870,830.43
Less: Accumulated depreciation	5,307,191.87	5,150,726.72
	\$ 627,318.60	\$ 720,103.71
Mining properties — Red Lake	1,667,211.71	1,667,211.71
	\$ 2,294,530.31	\$ 2,387,315.42

Deferred Expenditure:

Development — shaft sinking, stations, etc.	\$ 728,304.67	\$ 728,304.67
Pension plan contributions	18,000.00	36,000.00
	\$ 746,304.67	\$ 764,304.67

Other Mining Properties:

Mining claims — at cost	\$ 12,487.00	\$ 13,207.00
Deferred exploration expenditure	260,182.75	32,191.10
	\$ 272,669.75	\$ 45,398.10
	\$ 6,694,495.59	\$ 6,651,867.91

NOTES TO FINANCIAL STATEMENT

December 31, 1967

1. Income taxes:

After claiming depletion allowance of \$280,000.00 and outside exploration expenditure of \$350,000.00 for income tax purposes, the Company will report a loss for income tax purposes for 1967 and no income tax is payable for the year. Provision was made for Ontario mining tax estimated at \$17,000.00.

2. Remuneration of senior officers and directors:

The aggregate direct remuneration paid to senior officers and directors was \$92,014.51 in 1967 and \$86,660.00 in 1966.

3. Change in accounting practice:

The Company's investment in shares of other mining companies at a cost of \$598,769.75 (including 662,786 shares of Baffinland Iron Mines Limited at a cost of \$549,937.25) was included in marketable securities at December 31, 1966 and investments at December 31, 1967. The comparative figures for 1966 have been adjusted to reflect this change.

GOLD MINES LIMITED

the laws of Ontario)

LIABILITIES

Current Liabilities:

	1967	1966
Accounts payable and accrued charges	\$ 238,497.68	\$ 159,103.92
Wages payable	41,660.85	36,194.25
Income taxes payable	17,000.00	45,670.29
Total current liabilities	\$ 297,158.53	\$ 240,968.46

SHAREHOLDERS' EQUITY

Capital Stock:

Authorized: 3,500,000 shares of \$1.00 each		
Issued and fully paid: 3,499,528 shares	\$ 3,499,528.00	\$ 3,499,528.00
Less: Discount on shares	1,390,160.50	1,390,160.50
	\$ 2,109,367.50	\$ 2,109,367.50
Retained earnings	4,287,969.56	4,301,531.95
	\$ 6,397,337.06	\$ 6,410,899.45

The accompanying notes form an integral part of the financial statement.

Approved on behalf of the Board:

P. H. McCLOSKEY, Director.

HUGH H. MACKAY, Director.

\$ 6,694,495.59

\$ 6,651,867.91

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the accompanying balance sheet of Madsen Red Lake Gold Mines Limited as at December 31, 1967 and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting practice as explained in note 3, with which we agree.

TORONTO, Canada,
March 4, 1968.

NEFF, GOODWIN & CO.,
Chartered Accountants.

Madsen Red Lake Gold Mines Limited

STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31, 1967

	1967	1966
Balance, January 1	\$ 4,301,531.95	\$ 3,900,792.07
Add: Net income for the year	\$ 473,430.07	\$ 441,408.37
Adjustment of prior years insurance	1,453.63	1,274.18
Adjustment of prior years gold assistance	21,924.25	
Adjustment of prior years taxes	54,540.74	449.69
Recovery re fire insurance claim		7,618.56
	<u>\$ 551,348.69</u>	<u>\$ 450,750.80</u>
	\$ 4,852,880.64	\$ 4,351,542.87
Deduct: Dividend #47 at 10 cents per share paid August 18, 1967	\$ 349,952.80	
Acquisition cost and exploration expenditure on mining claims abandoned	120,619.98	\$ 9,584.49
Adjustment of prior years gold assistance		40,426.43
Loss on realization of investments	94,338.30	
	<u>\$ 564,911.08</u>	<u>\$ 50,010.92</u>
Balance, December 31	<u>\$ 4,287,969.56</u>	<u>\$ 4,301,531.95</u>

STATEMENT OF INCOME

For the Year Ended December 31, 1967

	1967	1966
Bullion Production:		
Gold	\$ 2,644,821.63	\$ 2,640,831.14
Silver	20,816.10	16,334.37
	<u>\$ 2,665,637.73</u>	<u>\$ 2,657,165.51</u>
Less: Marketing charges	25,643.47	23,886.43
	<u>\$ 2,639,994.26</u>	<u>\$ 2,633,279.08</u>
Operating and Administration Costs:		
Mining	\$ 1,334,319.62	\$ 1,303,546.39
Crushing and milling	420,631.45	423,108.32
Mine development	225,338.57	254,347.34
Employee Benefits	373,388.85	321,344.80
Management and general expense at the property	264,729.46	251,588.04
Head office expense	87,242.55	78,662.77
	<u>\$ 2,705,650.50</u>	<u>\$ 2,632,597.66</u>
Less: Estimated Gold Assistance	630,000.00	625,000.00
	<u>\$ 2,075,650.50</u>	<u>\$ 2,007,597.66</u>
Operating Income	<u>\$ 564,343.76</u>	<u>\$ 625,681.42</u>
Interest and other income	82,915.96	60,752.87
	<u>\$ 647,259.72</u>	<u>\$ 686,434.29</u>
Provision for depreciation	\$ 156,829.65	\$ 180,025.92
Provision for Dominion and Provincial taxes	17,000.00	65,000.00
	<u>\$ 173,829.65</u>	<u>\$ 245,025.92</u>
Net Income for the Year	<u>\$ 473,430.07</u>	<u>\$ 441,408.37</u>

Madsen Red Lake Gold Mines Limited

DISTRIBUTION OF GROSS INCOME

For the Year Ended December 31, 1967

Gross Income:	1967	1966
Bullion	\$ 2,665,637.73	\$ 2,657,165.51
Interest and other income	82,915.96	60,752.87
Gold mining assistance	630,000.00	625,000.00
	<u>\$ 3,378,553.69</u>	<u>\$ 3,342,918.38</u>
Distribution:		
Materials, supplies and general operating expenses	\$ 733,560.44	\$ 800,106.64
Salaries and wages	1,480,355.19	1,395,499.78
Hydro electric power	139,189.64	134,706.46
Workmen's compensation and silicosis insurance	168,929.63	116,388.22
Holidays with pay and unemployment insurance	68,449.51	59,728.61
Pension, group insurance and medical expense	88,803.38	89,871.58
Boarding house and employees travel expense	52,006.18	60,182.80
Provision for taxes	17,000.00	65,000.00
Provision for depreciation	156,829.65	180,025.92
Net income	473,430.07	441,408.37
	<u>\$ 3,378,553.69</u>	<u>\$ 3,342,918.38</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1967

Source:	1967	1966
Net income for the year	\$ 473,430.07	\$ 441,408.37
Add: Provision for depreciation	156,829.65	180,025.92
Deferred pension write off	18,000.00	18,000.00
	<u>\$ 648,259.72</u>	<u>\$ 639,434.29</u>
Proceeds from sale of equipment	486.00	285.00
Proceeds of fire insurance claim		8,535.00
Proceeds from sale of investments	5,159.70	
Prior years adjustments	23,438.41	(38,624.88)
Recovery of prior years income taxes	54,540.74	
	<u>\$ 731,884.57</u>	<u>\$ 609,629.41</u>
Application:		
Dividend paid	\$ 349,952.80	
Additions to building and equipment	64,591.07	\$ 93,014.04
Investment in Nass River Mines Limited	41,028.72	51,282.05
Securities and cash on deposit	4,440.62	
Outside exploration	347,891.63	18,171.47
	<u>\$ 807,904.84</u>	<u>\$ 162,467.56</u>
Decrease in working capital	\$ 76,020.27	
Increase in working capital		447,161.85
Working capital beginning of year	2,401,972.51	1,954,810.66
Working capital end of year	<u>\$ 2,325,952.24</u>	<u>\$ 2,401,972.51</u>

Our Ten Year C

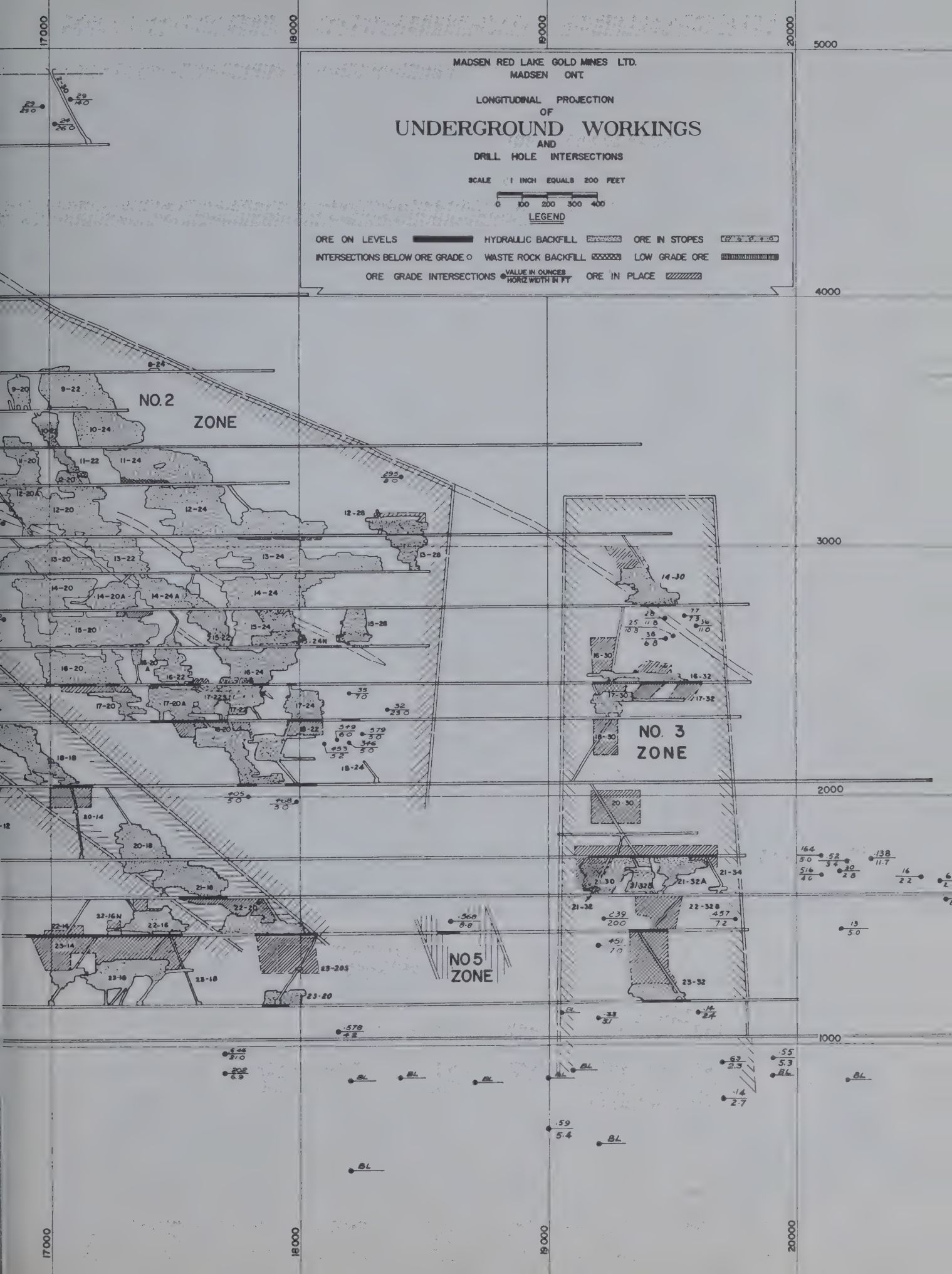
	1938 to 1967	1967	1966	1965
Ounces of gold produced	2,076,676.516	70,032.531	69,999.031	87,632.19
Tons of ore milled	6,951,353	277,566	246,505	292,681
Recovery value per ton milled	\$ 10.67	\$ 9.60	\$ 10.78	\$ 11.36
Average price of gold per ounce	\$ 35.54	\$ 37.77	\$ 37.73	\$ 37.73
Income from gold and silver	\$74,158,976.81	\$2,665,637.73	\$2,657,165.51	\$3,326,452.29
Operating and marketing costs	\$55,489,938.62	\$2,731,293.97	\$2,656,484.09	\$2,981,326.38
Operating income	\$18,668,938.19	\$ (65,656.24)	\$ 681.42	\$ 345,125.91
Sundry income	\$ 758,945.14	\$ 82,915.96	\$ 60,752.87	\$ 37,349.46
Emergency gold mining assistance	\$ 5,862,300.00	\$ 630,000.00	\$ 625,000.00	\$ 585,000.00
Provision for taxes	\$ 3,955,719.99	\$ 17,000.00	\$ 65,000.00	\$ 86,500.00
Provision for depreciation	\$ 5,404,817.92	\$ 156,829.65	\$ 180,025.92	\$ 202,098.68
Net income	\$15,094,394.74	\$ 473,430.07	\$ 441,408.37	\$ 678,876.69
Net income per ton	\$ 2.17	\$ 1.70	\$ 1.79	\$ 2.32
Net income per share	\$ 4.31	\$.14	\$.13	\$.19
Cash profits less net capital expenditure	\$13,111,864.14	\$ (76,020.27)	\$ 447,161.85	\$ 696,200.34
Dividends paid	\$10,339,905.24	\$ 349,952.80	—	\$ 262,464.60
Dividends paid per share	\$ 2.955	\$.10	—	\$.07
Percentage of dividends paid to cash profits less net capital expenditure	78.86	—	—	37.78
Additions to fixed assets	\$ 5,934,518.47	\$ 63,398.63	\$ 80,476.00	\$ 112,695.29
AT END OF YEAR:				
Fixed assets — at cost	\$ 5,934,518.47	\$5,934,518.47	\$5,870,830.43	\$5,790,354.43
Fixed assets less accumulated depreciation	\$ 627,326.60	\$ 627,326.60	\$ 720,103.71	\$ 808,394.71
Working capital	\$ 2,325,952.24	\$2,325,952.24	\$3,000,742.26	\$2,553,580.41
Number of employees	296	296	296	344

LAKE GOLD MINES LIMITED

Operating Story

1964	1963	1962	1961	1960	1959	1958
94,868.822	107,130.856	100,877.831	106,096.338	119,083.749	118,804.674	123,488.940
305,823	306,247	311,705	301,031	306,377	301,999	302,200
\$ 11.78	\$ 13.28	\$ 12.17	\$ 12.57	\$ 13.34	\$ 13.31	\$ 13.93
\$ 37.75	\$ 37.75	\$ 37.42	\$ 35.52	\$ 34.20	\$ 33.68	\$ 33.94
\$3,603,396.77	\$4,067,473.77	\$3,794,610.80	\$3,784,106.81	\$4,088,904.32	\$4,019,616.83	\$4,210,606.14
\$3,388,586.47	\$3,423,769.72	\$3,465,624.84	\$3,401,069.55	\$3,210,400.66	\$2,943,580.62	\$2,630,449.37
\$ 214,810.30	\$ 643,704.05	\$ 328,985.96	\$ 383,037.26	\$ 878,503.66	\$1,076,036.21	\$1,580,156.77
\$ 53,515.64	\$ 45,980.74	\$ 51,481.97	\$ 41,808.47	\$ 41,546.85	\$ 40,651.28	\$ 42,476.74
\$ 695,000.00	\$ 454,000.00	\$ 685,000.00	\$ 590,000.00	\$ 140,000.00	\$ —	\$ —
\$ 147,500.00	\$ 212,000.00	\$ 178,500.00	\$ 128,700.00	\$ 121,800.00	\$ 27,080.00	\$ 299,500.00
\$ 222,488.06	\$ 247,703.41	\$ 229,047.69	\$ 236,473.65	\$ 252,506.11	\$ 273,712.65	\$ 271,409.12
\$ 593,337.88	\$ 683,981.38	\$ 657,920.24	\$ 649,672.08	\$ 685,744.40	\$ 815,894.84	\$1,051,724.39
\$ 1.94	\$ 2.23	\$ 2.11	\$ 2.16	\$ 2.24	\$ 2.70	\$ 3.48
\$.17	\$.20	\$.19	\$.19	\$.20	\$.23	\$.30
\$ 684,994.72	\$ 579,219.65	\$ 639,998.22	\$ 622,599.96	\$ 708,239.54	\$ 503,774.93	\$ 904,169.21
\$ 524,929.20	\$ 524,929.20	\$ 524,929.20	\$ 524,929.20	\$ 699,905.60	\$ 699,905.60	\$ 699,905.60
\$.15	\$.15	\$.15	\$.15	\$.20	\$.20	\$.20
76.63	90.63	82.02	84.31	98.82	138.93	77.41
\$ 121,586.66	\$ 319,729.06	\$ 189,490.06	\$ 172,343.80	\$ 156,946.04	\$ 282,926.74	\$ 168,865.80
\$5,677,659.14	\$5,556,072.48	\$5,236,343.42	\$5,046,853.36	\$4,874,509.56	\$4,717,563.52	\$4,434,636.78
\$ 889,952.23	\$ 990,813.63	\$ 916,190.77	\$ 945,894.59	\$1,010,024.44	\$1,094,850.57	\$1,085,636.48
\$2,119,844.67	\$1,972,424.57	\$1,942,145.86	\$1,864,076.84	\$1,791,406.08	\$1,783,072.14	\$1,979,202.81
365	424	425	427	424	385	357





MADSEN RED LAKE GOLD MINES LTD.
MADSEN ONT

LONGITUDINAL PROJECTION
OF
UNDERGROUND WORKINGS
AND
DRILL HOLE INTERSECTIONS

SCALE 1 INCH EQUALS 200 FEET



LEGEND

ORE ON LEVELS HYDRAULIC BACKFILL ORE IN STOPES
INTERSECTIONS BELOW ORE GRADE WASTE ROCK BACKFILL LOW GRADE ORE
ORE GRADE INTERSECTIONS VALUE IN OUNCES
HORIZ. WIDTH IN FT. ORE IN PLACE

NO. 2
ZONE

NO. 3
ZONE

NO. 5
ZONE



**GOLD DEPOSITORY — FORT KNOX,
KENTUCKY, U.S.A.**

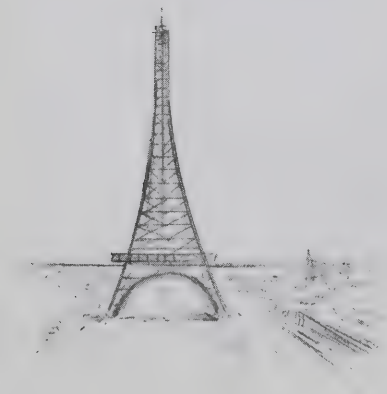
GOLD STOCK

BILLIONS OF DOLLARS

U.S.A.

CANADA

PEAK	(Dec. 1949)	24,563	(1965)	1,151
AS OF	Dec. 31, 1967	12,065	1967	1,015



THE GOLD CRISIS

The use of gold as opposed to the use of paper money has been argued pro and con by leaders in the political field, economics, banking and leaders from practically every profession. Although all might be considered experts, they very often disagree completely when the subject of gold versus paper money is debated. Since completely opposite views are expounded by the most competent individuals in their field, it becomes confusing to the average citizen to know what to believe. Viewpoints are extreme. Some advocate the use of gold bullion augmented by the use of gold coin currency, as opposed to the view that gold should be completely eliminated from the Monetary System.

In summary, the **Paper Money Advocates** might be as follows:

1. A World State or Imperial Power would be set up which would settle international imbalance with some form of paper such as a so called Drawing Right. As a matter of convenience it would be easier to expand or contract the money supply, to print bank notes, to expand credit. The use of exchange controls and the control of fluctuating exchange rates can be handled more conveniently by the paper money system. Government bonds would be considered a sound substitute for gold. The physical transfer of gold to settle international debts is considered an inconvenient transportation problem.

2. Some of the extremist money managers say that money should be owned by the state, that its use to the individual is a privilege and to be used only as a medium of exchange. Speculating, hoarding or saving (the terms are used interchangeably according to the effect desired) would be considered a felony against the state. Gold is a "Barbaric Relic" they claim, and money management should be left to the discretion of competent and responsible men rather than the discipline of a mechanical control.

3. Other money managers say simply that the politicians and others in the United States do not favour gold and therefore it should not be seriously considered. Another group suggests that a money standard involving gold helps the gold miners, the Russians and the South Africans.

The **Gold Advocates** have strong rebuttals for each of the recommendations made by the Paper Money Advocates as follows:

A world authority controlling the paper money system, they say, would require men of absolute integrity with no sovereignty of nations involved. Absolute trust between nations would be required as well as super human ability, and infallibility, and the wisdom of Solomon. It could be added here that from published reports concerning the judging at Olympic competitions, it would appear that the world is a long way from absolute integrity, particularly when National issues are involved.

The Gold Advocates claim that the arguments put forward by the money managers are too much a matter of convenience rather than economic realism. Debt etc. could be eliminated by the "stroke of a pen".

Such extreme Socialism as state ownership of money has been in effect on occasion historically and of course this kind of extremism has never worked. The fact that a politically powerful fraternity in the United States favours a paper money system is no reason to bend to a system that will lead to monetary chaos for the whole world. The very obvious answer to the fear of Russia, South Africa and the gold miners is that it would seem unreasonable to damage the majority in order to spite a small minority.

The Gold Advocates recommend a gold backed

Monetary System with annual additions of gold tied in quantity and price to the increase in economic activity and international trade. They claim that this will lead to monetary stability i.e. stability of credit expansion or contraction. Inflation would come under control. Other suggestions have been to free all markets and trade for gold. Another is to put an end to the gold exchange standard which would eliminate all United States and British liabilities to foreign control banks. Also, a realistic price would eliminate the private ownership of gold leaving large quantities available for bullion backing.

The main physical and other properties of gold are well known and may be listed as follows:

1. Limited in supply.
2. Non-destructible (paper can be torn up).
3. High specific gravity (surpassed by nothing in respect to storage and portability).
4. Beauty.
5. Above properties give it ability to conserve purchasing power.
6. Respected internationally as bullion or commodity.

Conclusion

To summarize, the more convincing arguments might be recorded as follows:

1. To tamper with the human demand for gold would be to tamper with basic human sensibilities. These sensibilities have not changed throughout history's 5,000-year existence. In an article titled "The Gold Hustlers" in the Wall Street Journal, 26th of February, 1968, Mr. Guy Field, assistant director of Samuel Montagu and Co., London, a major bullion dealer, said "It is demand for gold that is setting the price today, not the American Government". This was said in rebuttal to those monetary authorities who claim that the price of gold would drop if the United States removed dollar support of gold. The black marketers pay \$85.00 per ounce for gold in the Middle East today.
2. Those who would have a paper money system

appear to base their arguments on idealism, some of which is experimental or theoretical but all dependent on human integrity and idealistic relationships between people and nations. The idealism required here is beyond anything experienced heretofore in history. The record of stability of gold over a 5,000-year period is to be considered more impressive than some hoped-for integrity of human authority.

3. As a matter of mechanics, gold has no equal because of its high specific gravity, non-destructibility, and probably most important of all, its ability to store purchasing power. It is tangible as opposed to paper which can be easily destroyed. The scarcity of gold adds to its value.

Present Situation

A shortage of international liquidity or reserves is the main problem facing the International Monetary Fund today. This has been followed by non-confidence in the American dollar.

There are several explanations which vary sharply depending on whether or not you favour gold. The fact of the matter is that the have-not countries have inadequate reserves to allow a free flow of trade. A rise in the gold price would increase their reserve position and increase trade.

Remedy for the Present Situation

Raise the price of gold to a price that is sufficient to make available an adequate supply of gold for all countries in the Western world.

Dr. Paul Einzig, in the Commercial and Financial Chronicle (U.S.A.), dated February 15th, 1968, speaking of the likelihood of dollar devaluation, states in part: "The free world's defense against Communist expansion depends upon the dollar's strength which, in turn, is dependent on the gold stock." Fearful of the consequences of any further attrition in U.S. gold stock, Dr. Einzig strongly urged that the price of gold be raised before another crisis forced the U.S. hand, when it might be too late.

Report of the Mine Manager

The President and Directors,
Madsen Red Lake Gold Mines Limited,
1109 - 55 Yonge Street,
Toronto 1, Ontario.

Dears Sirs:

The Thirty-Second Annual Report, covering the operations for the year ended December 31st, 1967, is submitted for your consideration.

PRODUCTION:

The following figures show the production for 1967 and comparable figures for 1966:

	1967	1966
Ounces of Gold	70,032.531	69,999.031
Ounces of Silver	12,310.81	11,743.14
Gross Value of Bullion	\$ 2,665,637.73	\$ 2,657,165.51
Average Price Gold/oz.	\$ 37.77	\$ 37.73
Average Price Silver/oz.	\$ 1.69	\$ 1.39

Under the provisions of the Emergency Gold Mining Assistance Act, it is estimated that the Company is entitled to receive \$630,000.00 or \$9.00 per ounce compared with \$625,000 or \$8.93 per ounce in 1966.

OPERATING COSTS:

	1967			1966		
Tons Milled	277,566			246,505		
Ounces Produced	70,032.531			69,999.031		
	Total Cost	Per Ton Milled	Per Ounce	Total Cost	Per Ton Milled	Per Ounce
Development and Exploration ..	\$ 225,338.57	\$ 0.812	\$ 3.218	\$ 254,347.34	\$ 1.032	\$ 3.634
Stoping and Stope Preparation ..	942,415.23	3.395	13.457	934,954.99	3.793	13.356
Tramming, Hoisting and Pumping ..	391,904.39	1.412	5.596	368,591.40	1.495	5.266
Crushing and Conveying	75,034.58	0.270	1.071	81,114.37	0.329	1.159
Milling	345,596.87	1.245	4.934	341,993.95	1.387	4.886
Mine General	264,729.46	0.954	3.780	251,588.04	1.021	3.594
Employee Benefits	373,388.85	1.345	5.332	321,344.80	1.304	4.590
Administration Expenses	87,242.55	0.314	1.246	78,662.77	0.319	1.124
Marketing Charges	25,643.47	0.092	0.366	23,886.43	0.097	0.341
	\$ 2,731,293.97	\$ 9.839	\$ 39.000	\$ 2,656,484.09	\$ 10.777	\$ 37.950
Deduct: Estimated E.G.M.A.	630,000.00	2.270	8.996	625,000.00	2.536	8.929
Net Operating Cost	\$ 2,101,293.97	\$ 7.569	\$ 30.004	\$ 2,031,484.09	\$ 8.241	\$ 29.021

MINE DEVELOPMENT:

The following table shows the total footage of development work completed during the year 1967, with comparable footages for 1966 and 1965, and total to date:

	1967	1966	1965	Total to Date
Shaft Sinking and Station Cutting	—	—	—	5,462
Crosscutting	—	—	1,452	34,266
Drifting	3,108	1,856	2,592	177,956
Raising	1,526	1,170	834	73,371
Diamond Drilling (Contract)	22,659	41,598	80,210	1,905,159
Diamond Drilling (Packsack)	26,113	32,950	63,490	267,609
Surface Drilling (Contract)	3,503	14,622	20,554	182,040
Draw Points	9	8	7	504

The footages of lateral development and raising completed during the year are shown by levels in the following table:

Level	Drifting	Raising
8	—	108
11	303	—
12	182	86
17	561	—
18	1,252	111
20	635	382
21	30	—
22	—	126
23	—	713
24	145	—
Total	<u>3,108</u>	<u>1,526</u>

The development and exploration cost decreased from \$254,347.34 in 1966 to \$225,338.57 in 1967.

The 18th level was advanced 1,000 feet to departure 20,650 east. A diamond drill program completed from this extension failed to prove up any ore.

At year end, a program to explore a gold bearing zone in talc, north of the main shaft, was laid on. The initial work in this program will be a cross-cut starting at the main shaft 23rd level station.

MINING:

Stoping operations were carried out from the fourth to the twenty-third level inclusive, with 45% of the mill feed coming from above the 2,650-foot horizon, or 17th level.

SOURCE OF ORE DELIVERED TO MILL:

Number	Tons	* Grade	% Total Ounces
1	115,480	0.342	51.58
2	74,940	0.284	27.76
3	43,410	0.189	10.70
4	12,970	0.271	4.59
6	—	—	—
7	31,050	0.132	5.37
Total	<u>277,850</u>	<u>0.276</u>	<u>100.00</u>

* Grade adjusted to coincide with calculated mill heads.

Free ore amounted to 4% of the total drawn with a grade of 0.152 ounces per ton.

BACKFILL:

The deslimed mill tailings placed as backfill amounted to 117,833 tons for a total of 1,689,202 tons to date.

ORE RESERVES:

The estimated Ore Reserves for 1967 and comparable figures for 1966 are shown in the following table:

	December 31, 1967			December 31, 1966		
	Tons	Grade	Ounces	Tons	Grade	Ounces
Surface to 11th level	14,210	0.272	3,860.0	12,440	0.347	4,322.8
11th level to 17th level	105,890	0.250	26,220.0	174,910	0.253	44,279.4
17th level to 23rd level	311,400	0.304	94,760.0	372,650	0.303	112,637.7
Broken Reserve	—	—	—	Nil	—	—
Total Reserves	<u>431,500</u>	<u>0.290</u>	<u>124,840.0</u>	<u>560,000</u>	<u>0.289</u>	<u>161,239.9</u>

The broken ore in cut and fill stopes is not included in the above reserve figure.

Ore mined which was not included in the reserve figure and free ore drawn from old workings amounted to 147,000 tons.

MILLING:

The milling data for the current year, the two previous years, and the total since the commencement of milling operations are shown in the following table:

	Year			Aug. 11, 1938
	1967	1966	1965	Dec. 31, 1967
Dry Tons Treated	277,566	246,505	292,681	6,951,353
Percentage Operating Time of Total Time	95.42	80.42	95.75	95.61
Tons Treated Per Calendar Day	760.45	675.36	801.87	647.54
Average Gold Assay Heads, Troy Ounces	0.27632	0.30865	0.32268	0.31572
Average Gold Assay Tails, Troy Ounces	0.02401	0.02468	0.02327	0.01983
Percentage Recovery	91.31	92.00	92.79	93.71

BUILDINGS, MACHINERY AND EQUIPMENT:

The total Expenditures for Buildings, Machinery and Equipment amounted to \$64,519.07 as follows:

Houses	\$13,664.15
Oil fired boilers	41,076.59
Laundry building and equipment	2,500.00
Geology equipment	2,297.62
Kitchen equipment	139.26
Used truck	1,200.00
Welding set	239.80
Underground electrical equipment	3,473.65
	<u>\$64,591.07</u>

GENERAL:

A wage increase of five cents per hour became effective on May 22nd, under an agreement with the United Steelworkers of America.

There were 358 hirings and 358 separations compared with 305 hirings and 357 separations during 1966.

There were 292 full time employees on the payroll at the end of the year.

Despite the large labour turnover a hard core of competent reliable employees remained on the job.

The availability of low-rental housing was a decided advantage in keeping good employees.

A 375 H.P. three-boiler heating plant burning No. 6 oil was installed and operating for the 1967-68 heating season. This replaced an electrically powered plant for which the Ontario Hydro Electric Power Commission stopped supplying low cost power on February sixth.

A statement detailing the distribution of moneys spent for wages, supplies, equipment, pension and insurance to operate and maintain the mine during the year is appended to this report.

CONCLUSION:

I extend my sincere thanks to the Heads of Departments, and their staff, and to all of the Company employees, for their loyal and efficient service throughout the year.

The support and guidance of the President and Board of Directors, and the Head Office staff, are gratefully acknowledged.

Yours very truly,

K. R. NORTH, P.Eng. (Ont.),
Mine Manager.

Madsen, Ontario,
January 29th, 1968.

General Summary of Expenditure for 1967

Wages and salaries:

Wages and salaries	\$ 1,520,727.84	
Pension Plan	20,984.00	
Holidays with pay	51,382.28	\$ 1,593,094.12

Contracts:

Fathom Drilling Limited		48,144.98
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Supplies:

Hardware	\$ 16,931.27	
Iron and steel	8,174.94	
Tungsten, carbide bits and steel	27,632.40	
Grinding balls	34,540.08	
Wire and cable	78,581.87	
Electrical supplies	15,843.57	
Pipe fittings and hose	9,525.38	
Rock drills and repairs	15,168.96	
Crusher repairs	15,639.09	
Mill repairs	28,456.04	
Building supplies	31,342.59	
Miscellaneous supplies and services	90,144.95	
Power (heating and operations)	184,420.31	
Timber	39,681.31	
Explosives	37,030.25	
Chemicals	69,381.56	
Transportation	59,436.84	
Fuel oil, gasoline and lubricants	20,493.95	
Engineering and geological supplies	6,595.29	
Diamond drill bits and repairs	10,321.87	
Food products	69,983.90	
Equipment	44,585.89	
Buildings and houses	18,094.15	932,006.46

Insurance:

Fire, public liability, business interruption, bond, bullion, boiler and vehicle	\$ 5,045.80	
Sun Life and Associated Medical Services	30,324.85	
Workmen's compensation and silicosis	132,202.43	
Unemployment insurance	11,534.58	179,107.66

Taxes: Provincial

\$ 17,000.00
<u>\$ 2,769,353.22</u>



MADSEN RED LAKE GOLD MINES, LIMITED

Suite 1109 - 55 Yonge Street,
TORONTO 1, ONTARIO.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of the Shareholders of MADSEN RED LAKE GOLD MINES, LIMITED will be held in the Elizabeth Room, The King Edward Sheraton Hotel, King Street, Toronto, Ontario, on Monday, the 8th day of April, 1968, at the hour of 11:00 o'clock in the forenoon (Toronto Time), to receive Reports, Financial Statements for the year ended December 31, 1967 and the Auditors' Report thereon; to elect directors; to appoint Auditors and authorize the directors to fix their remuneration; and to transact such other business as may properly come before the Meeting.

A copy of the Reports and Financial Statements to be submitted to such Meeting, together with an Information Circular are forwarded herewith.

DATED this 11th day of March, 1968.

By Order of the Board,

MISS M. MASTERSON,

Secretary.

NOTE: Shareholders who are unable to attend are kindly requested to sign and return the enclosed form of proxy.

MADSEN RED LAKE GOLD MINES, LIMITED

INFORMATION CIRCULAR FOR Annual Meeting of Shareholders to be held April 8, 1968

This Information Circular accompanies Notice of the Annual Meeting of Shareholders of MADSEN RED LAKE GOLD MINES, LIMITED to be held April 8, 1968, and is furnished in connection with the solicitation by the Management of the Company of proxies for use at said Meeting. The costs of such solicitation will be borne by the Company. It is planned that the solicitation will be initially by mail but proxies may also be solicited by regular employees of the Company. The Company may also pay to brokers their expenses for sending the material relating to the Annual Meeting to the beneficial owners of shares registered in the brokers' name.

A proxy in the form enclosed with the Notice of Meeting (a) confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting, and (b) may be revoked at any time before it is exercised. The shares represented by such a proxy will be voted.

A shareholder has the right to appoint a person (who need not be a shareholder) to represent him at the meeting other than the persons designated in the form of proxy enclosed with the notice of meeting. Such right may be exercised by filling in the name of such person in the blank space provided in such form of proxy.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are 3,499,528 shares with a par value of \$1.00 each of the Company outstanding, each of which entitles the shareholder to one vote at any meeting of shareholders.

Only shareholders of record on April 8, 1968, the date of the Annual Meeting, are entitled to vote thereat. Those shareholders desiring to be represented at the said Meeting by a nominee must deposit their proxies with the Company prior to the commencement of the Meeting.

ELECTION OF DIRECTORS

The Management of the Company proposes to nominate the persons listed below for election as directors of the Company, to serve until the next annual meeting of the shareholders of the Company or until their successors are duly elected or appointed, unless any such person is unable to act as a director, in which event a substitute may be nominated by the Management of the Company:—

<u>Name of Proposed Nominee</u>	<u>Other Positions and Offices with The Company</u>	<u>Period Served as a Director of the Company</u>	<u>Approximate number of Shares of the Company Beneficially Owned, Directly or Indirectly (1)</u>	<u>Principal Occupation or Employment at Present and Within the Preceding Five Years</u>
Paul H. McCloskey	President	since 1963	100,000 (2)	President of the Company and prior to February, 1967, a Mining Executive.

<u>Name of Proposed Nominee</u>	<u>Other Positions and Offices with The Company</u>	<u>Period Served as a Director of the Company</u>	<u>Approximate number of Shares of the Company Beneficially Owned, Directly or Indirectly (1)</u>	<u>Principal Occupation or Employment at Present and Within the Preceding Five Years</u>
Hugh H. Mackay	none	since 1958	25,100	Vice-President of Pitfield, Mackay, Ross & Company Limited, Stockbrokers.
Howard S. Robinson	none	since 1967	11,000	Mine Consultant.
Foster W. Hewitt	none	since 1967	48,500	Radio Executive. President of Radio Station CKFH.
Donald W. Falconer	none		100	Solicitor and Partner in Holden, Murdoch, Walton, Finlay, Robinson, Pepall & Harvey.

- (1) The numbers of shares shown above are as reported by the respective nominees.
- (2) P. H. McCloskey reports that his associates (as that term is defined in The Securities Act, 1966) beneficially directly or indirectly own 645,600 shares of the Company. The Estate of H. C. McCloskey and Belmar Realty Ltd. are the only associates of P. H. McCloskey whose shareholdings are substantial.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid or payable by the Company to the directors and the senior officers, ("senior officers" as defined in The Securities Act, 1966 (Ontario) includes the five highest paid employees of the Company) during the Company's last completed financial year was \$92,014.51. The estimated aggregate cost to the Company in the last completed financial year of all pension benefits proposed to be paid under the Company's pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company to the directors and the senior officers of the Company was \$2,836.

APPOINTMENT OF AUDITORS

The Management of the Company proposes to move the appointment of Neff, Goodwin & Co., the Company's present auditors, as auditors of the Company. Neff, Goodwin & Co and their predecessor firms, have been auditors of the Company for more than five years.

OTHER BUSINESS

The Management of the Company knows of no matters to come before the Meeting other than the matters referred to in the Notice of the Meeting. However, if matters not now known to the Management should come before the Meeting, shares represented by Proxies solicited by the Management will be voted on each such matter in accordance with the best judgment of the nominee voting same.

On Behalf of the Board,

MISS M. MASTERSON,
Secretary.

March 11, 1968.

BETHELL BURNING OILS LIMITED

Item	Quantity	Unit Price	Total
1. Fuel Oil	1000	1.50	1500.00
2. Lubricating Oil	500	2.00	1000.00
3. Grease	200	1.00	200.00
4. Miscellaneous	100	0.50	50.00
Total			3250.00

The undersigned hereby certify that the above is a true and correct statement of the quantities and prices of the goods and services supplied to the undersigned by the above named firm, and that the same have been received by the undersigned and are being used for the purposes for which they were supplied.

This certificate is given in full satisfaction of the account of the undersigned to the above named firm, and no further receipt is required.

Dated this 1st day of January, 1925.

Signature of the undersigned: _____

Name of the undersigned: _____

THE UNDERSIGNED HEREBY CERTIFY THAT THE ABOVE IS A TRUE AND CORRECT STATEMENT OF THE QUANTITIES AND PRICES OF THE GOODS AND SERVICES SUPPLIED TO THE UNDERSIGNED BY THE ABOVE NAMED FIRM, AND THAT THE SAME HAVE BEEN RECEIVED BY THE UNDERSIGNED AND ARE BEING USED FOR THE PURPOSES FOR WHICH THEY WERE SUPPLIED.

THIS CERTIFICATE IS GIVEN IN FULL SATISFACTION OF THE ACCOUNT OF THE UNDERSIGNED TO THE ABOVE NAMED FIRM, AND NO FURTHER RECEIPT IS REQUIRED.

DATED THIS 1ST DAY OF JANUARY, 1925.

SIGNATURE OF THE UNDERSIGNED: _____

NAME OF THE UNDERSIGNED: _____

Item	Quantity	Unit Price	Total
1. Fuel Oil	1000	1.50	1500.00
2. Lubricating Oil	500	2.00	1000.00
3. Grease	200	1.00	200.00
4. Miscellaneous	100	0.50	50.00
Total			3250.00